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BEFORE THE INSURANCE COMMISSIONER  
OF THE STATE OF WASHINGTON

In the Matter of

THE APPLICATION REGARDING  
THE CONVERSION AND  
ACQUISITION OF CONTROL OF  
PREMERA BLUE CROSS AND  
ITS AFFILIATES

No. G02-45

PRE-FILED DIRECT TESTIMONY  
OF JOSEPH E. LUNDY

I, Joseph E. Lundy, do hereby declare that the following facts are personally known to me and, if called upon to do so, I would testify to them.

1. I am now, and at all times pertinent herein was, a citizen of the United States and a resident of the Commonwealth of Pennsylvania, over the age of eighteen (18) years, and competent to testify in a court of law.

2. I am a Consultant to PricewaterhouseCoopers (PwC). PwC contracted with the OIC Staff to assist in the analysis and evaluation of the application submitted by Premera.

3. I have attached to this instrument as Exhibit "S-14" a copy of my current curriculum vitae that summarizes my credentials and expertise.

4. In connection with PwC's obligations under its contract with the OIC Staff, I participated in preparing several reports pertaining to my areas of expertise which contain PwC opinions and conclusions. I have attached to this instrument the following documents containing PwC's opinions and conclusions:

1           a.       Pages E-1 to E-49 of Exhibit "S-12" which is a copy of the Exhibit to a  
2 final report entitled "Report to the Washington State, Office of Insurance  
3 Commissioner on Tax Matters in Connection with the Proposed Conversion of  
4 Premera" dated October 27, 2003 in the preparation of which I participated.

5           b.       Pages E-1 to E-53 of Exhibit "S-13" a copy of the Exhibit to a  
6 supplemental report taking into consideration Premera's revisions to its Form A  
7 Statement that were submitted on February 5, 2004 entitled "Report to the Washington  
8 State, Office of Insurance Commissioner on Tax Matters in Connection with the  
9 Proposed Conversion of Premera: Report Addendum" and dated February 27, 2004. I  
10 participated in the preparation of Exhibit "S-13."

11           c.       Exhibit "S-15" which is a copy of a report entitled "Report on Tax  
12 Matters in Connection with The Washington Foundation Shareholder and The Alaska  
13 Health Foundation – Proposed Unallocated Shares Escrow Agreement" dated March  
14 29, 2004 pertaining to possible tax consequences to the proposed foundation  
15 shareholders that may arise from the proposed Unallocated Shares Escrow Agent  
16 Agreement. I participated in the preparation of Exhibit "S-15."

17           5.       My responsibility in the preparation of the reports was, and therefore my  
18 testimony is, limited to participation in the preparation of the following pages: (1) For  
19 Exhibit "S-12," pages E-1 to E-49; for Exhibit "S-13," pages E-1 to E-53; and for  
20 Exhibit "S-15," pages E-54 to E-61.

21           6.       Pages E-1 to E-49 of Exhibit "S-12," pages E-1 to E-53 of Exhibit "S-  
22 13," Exhibit "S-14," and Exhibit "S-15" are incorporated herein as if set forth verbatim.  
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1 I declare under penalty of perjury under the laws of the State of Washington  
2 that to the best of my knowledge the foregoing is true and correct.

3 Dated March 29, 2004 at Philadelphia, PA.

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6 JOSEPH E. LUNDY  
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